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SUBJECT: U.S.-BELIZE TROPICAL FOREST CONSERVATION ACT OVERSIGHT
COMMITTEE CONSIDERS SMALL GRANTS FUND, OIL EXPLORATION

REF: A) 07 STATE 2071 B) 07 STATE 30914

11. SUMMARY: REO attended the U.S.-Belize Tropical Forest Conservation Fund Oversight Committee meeting held on November 9 in the Rio Bravo Conservation Areas. The meeting considered recipient NGO expenditures and plans for the coming year, PACT Foundation grants, and PACT Foundation Board Composition. Board members expressed concern about the issue of oil exploration in Belize's National Parks and an expressed an interest in an opportunity to meet with the Guatemala TFCA Oversight Committee. Embassy Belmopan may wish to consider a number of activities that can complement the U.S. investment in conserving Belize's forests. END SUMMARY.

12. The U.S.-Belize Tropical Forest Conservation Fund Oversight Committee (OC) met on November 9 for its first meeting since the Protected Areas Conservation Trust (PACT) Foundation (the Foundation) initiated distribution of grants. The meeting was hosted by Programme for Belize at La Milpa Field Station in Rio Bravo Conservation Area, a protected area that benefits from TFCA monies. Rio Bravo's jungles, mountains and pine forests constitute approximately four percent of Belizean territory.

13. After reviewing minutes from prior meetings, the Board considered reports, expenditures, and proposed budgets for Belize Audubon (BAS), Foundation, Programme for Belize (PfB), and Toledo Institute for Development and the Environment (TIDE). REO noted that seventy percent of the TFCA budget is used to directly support park management: to pay rangers, park administrators and other staff; to purchase equipment; to upgrade park infrastructure; and to conduct aerial overflights to locate illegal logging sites and similar activities. TIDE, BAS, and PfB receive the remaining thirty percent of the funds to cover administrative costs linked to fund management -- an amount established by a survey conducted on the establishment of the debt for nature swap. The debt swap monies covered basic expenses that NGOs find are the most difficult to cover. In their reports, the NGOs noted that nearly all activities (improvements, research and outreach) in these parks funded by third parties leveraged U.S. funds. Thirty percent of the PACT Foundation monies disbursed cover administrative costs linked to managing PACT Foundation monies; PACT noted that this amount does not cover the full administrative cost to PACT of managing a comparatively small grants fund, but nevertheless views it as worthwhile since it complements existing PACT programs.

14. The OC emphasized its interest in an exchange of views,

priorities and lessons learned with the Guatemala Tropical Forest Conservation Act Fund. The OC will be particularly interested in the Guatemalan perspective on xate harvesting in the Peten, a seasonal cross-border problem in TFCA-funded Tapir Mountain and other parks. Belizean and Guatemalan TFCA representatives approached REO on the margins of the November REDLAC meeting (REF A) about facilitating a meeting or teleconference between representatives of the two boards.

¶15. Belize Audubon's Anna Hoare succeeded TIDE's Celia Mahung as chair of the Oversight Committee.

PACT Foundation Update

¶16. The PACT Foundation conducted its first grants project call and disbursements plans to six recipients in 2007. Board members were appreciative of the participation of U.S. Ambassador Robert J. Dieter in the recognition ceremony. The Foundation leveraged additional funds from PACT, which topped off available Foundation monies to permit full funding of the six winning proposals.

¶17. The U.S. representative acknowledged the Fourth Amendment to the PACT Foundation Agreement, which limited expenditures to a given percentage of its endowment. Although the PACT Foundation decision to amend the Agreement did not require U.S. concurrence, the GOB and the NGOs agreed that the existing precedent where Amendments to the Foundation Agreement are acknowledged by the USG promoted transparency and confidence in PACT Foundation operations.

¶18. Neither the U.S. nor The Nature Conservancy has a seat on the PACT Foundation Board, whose membership is defined by GOB statute. The NGOs inquired about proposed legislation that would drop the

statutory definition of Board composition from legislation defining the Board, permitting the appointment of new representatives to the Foundation Board without additional legislative approval. Andrade explained that current legislation needed in order to align current legislation with a Foundation Board decision to add non-environmental, non-government representatives to the Foundation Board. He also explained that the GOB had a ripening opportunity to channel a new donation through the Foundation, but that the donor required that the Foundation have a stronger government presence than at present. Andrade emphasized that the Foundation Board, which was still considering the proposal, would need to endorse any decision to add new representatives. Andrade took issue with REO's understanding that TFCA funds were to be managed by an entity where NGOs were in the majority; in his view, the Agreement merely stipulated required participants on the Board without prejudice to additional members, NGOs or GOB. Should the legislation not be amended or additional government members not be appointed, a new entity would need to be created to receive the new donation to which PACT would prefer to transfer the name "PACT Foundation." The difference between U.S. and GOB expectations over the role of the PACT Foundation is highlighted in the 2007 evaluation report commissioned by the USG.

¶19. In discussions with Treasury, State and AID officials on the margins of the REDLAC meeting the following week (REF A) on Foundation Board membership, U.S. officials raised the possibility that the existing Foundation Board might retain its existing balance and responsibilities as the sole decision making body relative to the TFCA sub-account while becoming a sub-committee of a new Board that reflects broader GOB ambitions for the PACT Foundation. The proposal will be raised in a communication from REO to the Board now under consideration by Treasury.

Oil Exploration in Belize's National Parks

¶10. Programme for Belize Director Edilberto Romero flagged the question of oil exploration in national parks. A U.S. Colorado-based company intends to conduct oil exploration on Rio Bravo lands. While initial tests themselves need not greatly affect environmental integrity of the protected area (although concern has been expressed about the impact of test explosions on ground birds), subsequent exploration and exploitation should oil be struck could

have a significant impact on Rio Bravo. For the present, PFB is primarily concerned about the opening of six transects through the park which will need to be guarded for three years until reforestation occurs to ensure that they are not used by poachers, loggers, or squatters. PFB is also concerned whether its success in attracting students, researchers, grants and sustainable tourism will be compromised by oil exploration. In discussions on the margins of the meeting, Romero explained that the U.S. investor, after initially offering a risory amount to conduct the tests (itself perhaps a reaction to an over-the-moon estimate of expenses from PFB), short-circuited negotiations by prevailing on the Minister of the Environment to dictate the standard fee paid to landowners despite the special circumstances affecting Rio Bravo. PFB is seeking reconsideration of this decision as it would leave PFB subsidizing security, environmental monitoring and other costs linked to oil exploration.

¶11. While no one wants to stand in the way of Belize's development, REO noted to the OC that the U.S. will follow decision-making closely as it makes little sense to invest in forest protection if the same land is earmarked by the GOB for energy development. The U.S. has multiple interests in the Rio Bravo Area. Romero recalls that the United States Government contributed USD 2 million to its founding in 1988. Rio Bravo receives a quarter of the debt swap monies available under the TFCA. Rio Bravo is the site for an ongoing Joint Implementation project on climate change organized under USG auspices and involving 16 U.S. public utilities. Rio Bravo hosts migratory birds that summer in the United States. More broadly, Rio Bravo was established through the efforts of the Massachusetts Audubon Society and benefited from a donation of lands from the Coca Cola Company.

¶12. Andrade emphasized that the issue of oil exploration is affecting a number of parks, and that PACT intends to channel the broader discussion on oil exploration through the National Parks Commission to standardize government treatment of the issue. The independent umbrella organization for NGOs, APROMAR, is another vehicle for NGOs to make their opinions known.

Embassy Belmopan and the U.S.-Belize TFCA

¶13. Embassy might consider a number of opportunities in which the TFCA might complement Embassy Belmopan activities or which the Embassy might consider to bolster TFCA management:

-- With REO departing in June 2008, Embassy Belmopan might consider whether it is in a position to assume representation on the TFCA OC.

The Embassy might gain from closer contacts with NGO partners and grassroots organizations based in rural areas. The Embassy might be in a better position to tap the public affairs opportunities nationally and regionally as small grants projects are implemented. OC Board members would welcome close engagement with Embassy but plans to submit separately its recommendation for continued Hub representation on the Board.

-- In response to the request outlined in 4, Embassies Guatemala and Belmopan might consider whether they might be able to make their facilities available to host a DVC between their countries' TFCA boards. The TFCA Boards might also benefit from briefings by the Regional AID program and the Mesoamerican Barrier Reef System (MBRS) on their programs directed at the Gulf of Honduras watershed.

-- OC Board members have no experience in dealing with oil issues. Embassy Belmopan might consider whether it can tap U.S. expertise through DVCs, speakers programs, or similar tools to educate government officials, PACT and NGOs with regard to issues that need to be addressed in negotiating terms and compensation for oil exploration and extraction.

-- If appropriate, Embassy Belmopan might consider meeting with the firm seeking to prospect in Rio Bravo to brief them on past and on-going U.S.-supported activities in the park and encourage that exploration activities must not put the US activities in jeopardy. Setting aside problems should oil be discovered, it might be possible to link oil prospecting with science. For instance, the company could provide information on the geography of the area,

participate in the joint monitoring of the behavior of ground birds and other species in light of prospecting techniques, and conduct bird and plants counts as transects are cut. Should the Embassy wish to meet with the U.S. company, REO recommends briefings from PACT (Valdemar Andrade) and PFB (Edilberto Romero).

-- Embassy Belmopan might consider bolstering TFCA activities through the American Fellow Program (www.partners.net) and the Embassy Science Fellows Program (REF B). The first is available for mid-level government officials from a Western Hemisphere government to work in a U.S. government agency (or vice versa) for up to 6 months. The second is to request a federal agency scientist to conduct a project of interest to the Embassy for an extended period of time. For the first, PACT is interested in receiving a U.S. official that can work with the GOB on environmental valuation techniques. For the second, PFB expressed an interest in hosting a scientist to help them develop a formula for calculating carbon sequestration in non-trees forest species. NGOs might be in a position to help out on issues like in-country travel or housing that may prove to be hurdles for the Embassy.

-- The Embassy CLO might consider working with TFCA partners to organize day visits or weekend trips to TFCA-funded protected areas for Embassy staff, which include some of Belize's most sensitive or sites. These visits might also double as inspections for meeting with staff, inspecting infrastructure or interviewing recipients.

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